



STATE OF WASHINGTON

**LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS'
PLAN 2 RETIREMENT BOARD**

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REGULAR BOARD MEETING

May 25, 2005

The Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2 Retirement Board met in the Boardroom of the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington on May 25, 2005.

Board Members Present:

Jack Simington, Vice Chair
Doug Cochran
Pat Hepler
Mark Johnston
Maureen Morris
Representative Geoff Simpson

Staff Present:

Steve Nelsen, Executive Director
Shawn Merchant, Deputy Director
Jessica Burkhart, Executive Assistant
Jeralyn Faulhaber, Administrative Services Manager
Jerry Westby, Assistant Attorney General
Greg Deam, Senior Research and Policy Manager
Tim Valencia, Senior Research Policy Manager

Staff not Present:

Suzanne Shaw, Assistant Attorney General

Guests:

Mark Feldhausen, Budget and Benchmarking Director
Marty McCaulay, Associate Actuary

Board Members Not Present:

Kelly Fox, Chair
Michael Edwards
David Moseley
Senator Linda Evans Parlette
Doug Pendergrass

Jack Simington, Vice Chair, called the meeting of the Law Enforcement Officers' and Fire Fighters' Plan 2 Retirement Board to order at 9:36 a.m.

1) April 27, 2005 Board Meeting Minutes

It was moved that the April 27, 2005 Board meeting minutes be adopted as presented.

MOTION CARRIED UNANIMOUSLY

2) New Employee Introduction, Steve Nelsen**Greg Deam, Senior Research and Policy Manager**

Steve Nelsen, Executive Director introduced Greg Deam as the new Senior Research and Policy Manager for the LEOFF Plan 2 Retirement Board. Mr. Deam brings 14 years of pension experience from the Department of Retirement Systems, as well as business expertise from the private sector.

3) Department of Retirement Systems Presentation**Mark Feldhausen, Budget and Benchmarking Director**

Mark Feldhausen, Budget and Benchmarking Director with the Department of Retirement Systems (DRS) presented the Board with a presentation of *the Fiscal Year 2004 Pension Administration Benchmarking Analysis* conducted by Cost Effectiveness Measurement (CEM), Inc. Mr. Feldhausen's presentations included comparisons between Washington and many others states.

4) Projected Unit Credit Method - Matt Smith, State Actuary

Matt Smith, State Actuary presented the Board with a presentation on the *Projected Unit Credit Method* (PUC). The presentation included the funding method basics, as well as, a comparison between the aggregate method and PUC. Mr. Smith also provided a graph that reflected the projected contribution rates. In conclusion, Mr. Smith stated that a switch to PUC would lower short-term rates and increase long-term rates.

5) 2% Multiplier - Initial Consideration, Tim Valencia

Tim Valencia, Senior Research and Policy Manager presented the Board with an *Initial Consideration on the 2% Multiplier*. Mr. Valencia's report included the LEOFF Plan 2 defined benefit formula ($2\% \times \text{Years of Service} \times \text{Final Average Salary}$) and the varying multiplier approaches.

6) Costs Associated with 2% Multiplier - Marty McCaulay, Associate Actuary

Marty McCaulay, Associate Actuary with the Office of the State Actuary provided a follow-up to Mr. Valencia's presentation, as well as a memo from the Office of the State Actuary on *Changing the 2% Multiplier in the LEOFF Plan 2 Formula*, which outlined the costs of increasing the multiplier. A summary and analysis of increasing the multiplier was provided.

7) Supplemental Contribution Rates, Steve Nelsen

Steve Nelsen, Executive Director provided the Board with a memo from the Office of the State Actuary which included the *LEOFF Plan 2 Supplemental Contribution Rate Increases*. Mr. Nelsen also provided the *2005 Contribution Rates for Members, Employers, and the State*.

8) Presumptive Medical for Female Fire Fighters – Initial Consideration, Tim Valencia

Tim Valencia presented the Board with an Initial Consideration on *Presumptive Medical for Female Fire Fighters*. The report included the current presumption coverage in Washington State which is respiratory disease and heart problems after exposure, certain cancers, and certain infectious diseases. Mr. Valencia's presentation also provided a comparison between presumptive medical coverage in other jurisdictions.

9) Board Membership – Preliminary Report, Tim Valencia

Tim Valencia presented the Board with a Preliminary Report on *Board Membership*. Mr. Valencia explained that under the current provisions, the LEOFF Plan 2 Retirement Board positions are all Governor appointed and consist of the following:

- Three Active Law Enforcement
- Three Active Fire Fighters
- Three Employer Representatives
- Two Legislators

Mr. Valencia provided the Board with six options to change the structure of Board membership and Board Officers.

10) Administrative Update**Presumptive Medical - \$150,000 Death Benefit**

Mr. Nelsen reported on an Olympia Fire Fighter who died earlier this year as a result of cancer that was duty related. The Department of Labor and Industries ruled that his wife would qualify for the \$150,000 death benefit, however, in the future, as a matter of policy, occupational illnesses do not qualify for the \$150,000 death benefit.

It was moved that the staff bring back a report on Occupational Illness and the \$150,000 Death Benefit topic to the June Board meeting.

MOTION CARRIED UNANIMOUSLY

Newsletter

Mr. Nelsen reported that the next edition of "*Dual Response*" is estimated to be mailed by June 17th and delivered to members and employers by June 20th.

Web site

Mr. Nelsen provided a status report on the Web site activities. The staff will be working to restructure the site by topic as well as by date of meeting. Staff will also be posting a summary of options for contribution rates, and provide a brief overview of interim issues.

Next Board Meeting

Mr. Nelsen provided the Board with the *2005 Agenda Items Meeting Calendar* and reviewed the topics scheduled for the June 23, 2005 Board meeting.

Next Meeting

The next meeting of the LEOFF Plan 2 Retirement Board is scheduled for June 23, 2005 from 9:30 a.m. – 3:00 p.m. at the Washington State Investment Board located at 2100 Evergreen Park Drive S.W., Olympia, Washington 98502.

There being no further business, the meeting adjourned at 1:46 p.m.